

PFAS: THE “FOREVER CHEMICALS” UNDER SCRUTINY FROM REGULATORS AND INVESTORS?



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OMNIPRESENCE OF PFAS: A TOXIC COCKTAIL FOR THE ENVIRONMENT AND HEALTH

Per- and polyfluoroalkyl substances (PFAS), often referred to as "forever chemicals," are **pervasive in our daily lives**. They can be found in a wide range of products, from the non-stick coatings on our cookware to the water-resistant textiles in our clothing, as well as in food packaging and firefighting foams. This extensive usage is due to their remarkable physicochemical properties: resistance to water, grease, and heat. **However, their persistence, which makes them highly attractive to industry, raises serious health and environmental concerns.**

PFAS accumulate in soils, water, and living organisms, including humans. Aquatic organisms are particularly exposed, leading to increased concentrations in the food chain, especially affecting fish and large predatory mammals. This bioaccumulation process exposes end consumers, including humans, to **PFAS concentrations that are significantly higher than those originally present in the environment.**

In Europe, **approximately 90% of groundwater is contaminated by these substances**, posing a direct threat to the health of millions of people. Scientific studies have established links between PFAS exposure and various health issues, including hormonal disorders, cardiovascular diseases, immune system impairment, and an increased risk of certain cancers. Today, PFAS contamination represents a **major public health challenge**, which is beginning to be addressed by legislators and judicial authorities.



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NUMEROUS LAWSUITS IN THE UNITED STATES AND TIGHTENING REGULATIONS IN EUROPE: PRESSURE ON COMPANIES INTENSIFIES

The impact of PFAS extends beyond health and environmental spheres to encompass legal and financial domains, thereby increasing pressure on European companies.

We have observed **a growing number of lawsuits in the United States against companies for contamination of drinking water by PFAS**. Some cases, such as the ones in South Carolina, have resulted in record financial settlements reaching billions of dollars. These high-profile cases highlight the responsibility of industrial players in environmental contamination and the financial consequences that follow. In light of the increasing number of scandals and public pressure, **regulations are becoming stricter on a global scale.**

The Stockholm Convention, an international treaty aimed at eliminating or restricting the production and use of persistent organic pollutants, has been adding PFAS to its list since 2009, with the latest in 2022.

The European Union is considering banning up to 10,000 substances containing these compounds, while in France, a new regulation approved in February 2025 prohibits PFAS in non-essential products (primarily cosmetics and textiles) by 2026. This new law also imposes strict limits on the presence of PFAS in drinking water, along with a polluter-pays principle, which increases corporate responsibility. This **growing regulatory pressure is forcing European companies to rethink their practices, invest in Research & Development for alternatives, and bear the costs associated with decontamination.**



Sandrine ABITBOL
Portfolio Manager

SECTORAL IMPACTS, THE CHALLENGE OF DECONTAMINATION, AND OSTRUM AM'S COMMITMENT

The chemical sector is likely to be the most affected by the new French legislation. Many companies are already facing new controversies and will bear the direct impact of the €100 fee per 100 grams of PFAS discharged into water. Other sectors, such as food, textiles, and energy, may also face similar challenges if regulations tighten. In this context, Ostrum AM has implemented rigorous monitoring and a specific methodology to assess controversies related to PFAS, which may lead to the exclusion of certain issuers from our portfolios.

The decontamination of sites contaminated by PFAS represents a significant technical and financial challenge, but it also presents new opportunities. **The estimated decontamination costs in Europe range from €95 billion to €2 trillion over 20 years**, encompassing the treatment of groundwater and contaminated waste. This growing need for decontamination is creating a flourishing market for companies specialising in PFAS treatment solutions.

Ostrum AM is committed to combating this pollution by participating in the **IHC coalition (Investor Initiative on Hazardous Chemicals)**, which brings together investors representing over \$18 trillion in assets. This initiative aims to mitigate the impacts of hazardous chemicals and engage with companies to promote sustainable practices. This commitment aligns with our responsible investment approach, which seeks to reduce the environmental impact of companies and foster a healthier and more sustainable economy. **By actively participating in these initiatives, Ostrum AM contributes to accelerating the transition towards a PFAS-free future.**

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